

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1985-01
Bill No.: HB 811
Subject: Insurance Dept.; Motor Vehicles; Licenses - Professional
Type: Original
Date: April 6, 2011

Bill Summary: Modifies the law with respect to the sale of motor vehicle extended service contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Insurance Dedicated	\$680,000	\$430,000	\$430,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$680,000	\$430,000	\$430,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state it is estimated that approximately 5,000 motor vehicle dealers would need to be licensed in Missouri, with two employees each. The cost for each applicant would be \$100 plus \$18 for each employee for a total revenue or \$680,000 in FY2012 [$(\$5,000 * 100 = 500,000) + (10,000 * \$18 = 180,000)$]. Yearly renewal for each subsequent year would be \$50 per organization plus \$18 for each employee [$(\$5,000 * \$50 = \$250,000) + (10,000 * \$18 = 180,000)$] or \$430,000, assuming that the number of new businesses applying for licensure and the number of business that do not renew will cancel each other out. It is further assumed, at this time, that the requirement of this proposal can be completed within current appropriations. However, should the workload be more than anticipated, FTE and expenses will be requested through the budget process.

This proposal will increase total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Licensure revenue	<u>\$680,000</u>	<u>\$430,000</u>	<u>\$430,000</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$680,000</u>	<u>\$430,000</u>	<u>\$430,000</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small businesses selling extended service contracts.

FISCAL DESCRIPTION

This proposal modifies the law regarding motor vehicle extended service contracts.

LICENSING - The proposal modifies who may sell motor vehicle extended service contracts. Licensed motor vehicle dealers holding an organizational credit entity license may sell such products along with their employees who are properly licensed as credit insurance producers when such service contracts are sold in connection with the sale of a motor vehicle or vehicle services. Business entity producers or individual producers licensed as insurance producers for the limited line of motor vehicle extended service contracts may sell such contracts. Individual producers selling motor vehicle extended service contracts must obtain a resident or nonresident insurance producer license for either a personal lines property and casualty license or the limited line of motor vehicle extended service contracts. The proposal further delineates the application and testing requirements for obtaining a license for a limited line of motor vehicle extended service contracts license.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

HWC:LR:OD

SOURCES OF INFORMATION

Office of Administration -
Administrative Hearing Commission
Department of Insurance, Financial Institutions, and Professional Registration
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 6, 2011